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The currency problem

Chicago

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# *The Currency Problem*

*The Problem of the Socialist Party  
Today*

*By Dr. Karl F. M. Sandberg*



*Price Five Cents*

# THE CURRENCY PROBLEM

The Problem Of  
THE SOCIALIST PARTY  
TODAY.

By

**C** DR. KARL F. M. SANDBERG.  
SEP 24 1943 Author Of

"The Money Trust" and  
"The New Rebellion."

PUBLISHED BY THE AUTHOR  
2850 Logan Boulevard, Chicago

PRICE 5 CENTS

DEDICATED TO  
THE SOCIALIST PARTY,  
THE ONLY PARTY  
WORTH WHILE.

602.1.1993 PER/H 50  
What we term "The Capitalist System" or simply  
"The System"

is  
THE CURRENCY SYSTEM.

What we term "Capitalism"  
is  
CURRENCYISM.

---

CURRENCY

forms the up-to-date means of robbing the workers.

CURRENCY,  
made of nothing, based on nothing and worth nothing is given to the workers in exchange for their work or products.

CURRENCY  
has only one basis—confidence.

CURRENCY  
is the greatest confidence game ever invented.

CURRENCY  
is the problem of today.

CURRENCY  
is the problem of The Socialist Party.

## Introduction.

That a currency problem exists has been sufficiently hammered into our minds.

That it is a problem for bankers and business men and not for farmers and wageworkers has also been strongly impressed upon us.

That the bankers have solved it has been claimed time and again.

The currency problem is a reality.

But it is of far greater concern to farmers and wageworkers than to bankers and business men, of far greater interest to socialists than to capitalists.

And it has not been solved yet.

For bankers it is a problem of profit.

For business men it is a problem of business.

For farmers and wageworkers it is a problem of life and liberty.

Workers are more vitally interested in its solution than idlers.

To demonstrate this, to show the tremendous importance of the currency problem, to show that it must be solved, not by bankers and business men, but by farmers and wageworkers, to show that the more the first ones solve it the further it gets from its solution, that they solve it in the wrong direc-

tion, and to point out the different ways in which it may be, and will have to be, solved by farmers and wageworkers in order to protect life and liberty, is the purpose of this little book.

The currency problem will never be solved until it is solved right, solved by the workers.

October 1915.

## Capitalism a dead Issue.

Capitalism is dead, socialism not born. That is the puzzle; what we can not understand. So we keep on fighting a corpse, keep on fighting the capitalist system, thinking that as long as socialism is not born capitalism can not be dead; keep on fighting manufacturers, merchants and other employers as if they still were the real exploiters. They are so no more, are now mostly agents only for the real exploiters. The real ones the socialist party refuses to take notice of "for fear of muddling the issue", for fear of being distracted from — a corpse.

Some of us are still loudly proclaiming "the working class against the capitalist class", by the last meaning the employers. Others realizing that this old war cry does not fit the time any more, do not know any better than to substitute progressivism and are clamoring for public ownership of railroads, penny telephones, public comfort stations or any other little reform. The party is at sea. It feels that conditions have changed, that there are new alignments, that its old opponent is dead but it only vaguely realizes that a new and stronger one

has taken its place. Hence the uncertainty of action.

Capitalism is a dead issue. Currencyism is the issue of today. The place of the capitalist has been taken by the currencyist. Exploitation goes on worse than ever but the ways and means have changed. A great many former exploiters are now amongst the exploited.

An illustration: A. has a factory, a number of men working, no debts, good profits.

Here is the capitalist and the wageslaves. A. has the machinery the men must have to work with. Hence they must work for him.

Now enters the currencyist. He, the banker, is privileged by the stroke of a pen to convert a piece of paper into a ten dollar bill. He loans these bills to A's customers and creditors, railroad, lumberyard etc., on interest. After a while he plans a haul. He notifies the borrowers to pay their loans. They have already paid him most of the money back as interest and have none to pay the principal with. So they cut down their expenses and raise their prices to pay the loans. A. does not owe any. It should not affect him. But it does. The price of lumber goes up. Freight rates advance. A. raises his prices also. But orders are falling off, those already received are cancelled. His customers can not get their loans renewed. Receipts drop, expenses increase. A. curtails expenses, lays off men, works shorter time, but one day he finds himself

without money for his pay roll. He has a large factory, a full stock, no debt, a number of good outstanding accounts but no money. The accounts can not be collected; his debtors are in the same fix as he. Now he must have money or close the factory. In his desperation he goes to the currencyist, the only place to turn.

No, the bank is not making any loans. The currencyist takes his time and tortures his victim long enough to thoroughly impress him with his impotence and dependence before he finally "accommodates" him with a loan — but gee on what terms.

That year A. makes no profit. His men are exploited just the same as before but their boss is now exploited with them. He and they are all working for the currencyist. So is the railroad and the lumberyard.

The currencyist has the financial machinery the capitalist must have to work with. Hence the capitalist must work for him.

## **The Currency Trust.**

A small group of men has been given the monopoly of issuing currency. This currency they loan out as money, charging interest for the loan. The interest is payable either in currency or money. As all the currency loaned has to be returned the addition required as interest must be made up of money. Thus this group of men, which we may

call the currency trust, gradually gets possession of the money as well as the currency, get a monopoly of our entire medium of exchange.

The manufacturer, merchant, mineowner and other employers of labor constantly need some medium of exchange, can not be without it. They can only get it from the currency trust through its banks, must borrow from the banks. The currency trust thereby has control over the employers. In their dealings with labor they are not free of action but subject to dictates from the currency trust through the banks. As the manufacturers have the machinery the laborer can not do without and therefore can dictate terms to labor so the currency trust has the medium of exchange the manufacturers can not do without and thereby is enabled to dictate terms to them. Not only can it exact a constant and large toll from them in the form of interest for the use (the loan) of ITS medium of exchange and thereby absorb the biggest part of their profit, reducing them to its managers and collecting agents, but it can also whenever it pleases deny them the use of it — refuse loans — and thereby close them up, has the power to decide whether they shall run their factories or not. Business activity or depression, prosperity or hard times, high prices or low, high wages or low, great or small demand for labor, all is under the control of the currency trust. It regulates the demand for labor, its wages, the prices of what it produces and

the prices of what it buys. The currency trust controls the very existence not only of the employees but also of the employers.

## Money and Currency.

Through control over publishers of news papers, magazines and books the currency trust also controls the minds of the people, dictates to them what they shall think and what opinions they shall have.

That it is to the interests of the currencyists to have their currency considered as good as money or the same as money is selfevident. It is therefore not strange that the dictionaries and textbooks written and published or censored by people under currencyist control should fail to make it clear that there is any real difference between them. We shall therefore have to make our own definitions, because there is no use trying to tackle currency problems until we know, what currency is.

### Definition of money and currency.

"Currrens" is a Latin word, which means running, moving, passing.

CURRENCY implies the same qualities, the quality of not being stagnant, the quality of passing from place to place.

Financially currency may be defined as anything that passes from hand to hand as a medium of exchange, as a means by which one can exchange his

work, or the products of his work, for the work or product of the work of another.

Inasmuch as even currencyist authorities subscribe to this definition, you and I will probably not quarrel about it, and may therefore proceed to the definition of money. But let me say right at the start that upon this definition the currencyists and I will never agree; and furthermore, that upon the false definition of money, or rather upon the lack of understanding on the part of the people of its proper function, depends the existence and growth of the currency system, and the currency trust.

The more the two words — money and currency — are confounded, used indiscriminately one for the other, the more currencyism flourishes. So WE must make the difference between them clear, for the currencyists never will. If you doubt this, just read their definitions in dictionaries and books on "Finance" and see if they do.

MONEY: Before trying to define money, perhaps it would be best to analyze its function, to make clear what use we collectively have for it.

As a people, a nation, we need money for one, and only one, purpose, namely as a means, and probably the best and easiest means, of keeping account between ourselves collectively and ourselves individually. We collect into a people, a nation, because we all together are able to do a number of things we as individuals can not do. But as a result of collective living and action obligations also

arise on the part of each one to all and on the part of all to each one. These obligations make some form of accounting necessary and money is the accepted form. Instead of opening accounts in a book or on cards we create money and use this as our accounting, as our counters. Paying it out to a person for work performed by him for us all, public work, is the same as if we had given him credit in the national ledger for the amount. He has done some work for us, we are indebted to him for this and as an evidence of this indebtedness we give him money, the laborchecks of the nation.

But we must also create a demand for these labor checks, so others will be willing to exchange their work or products for them, for the public worker is not paid until he exchanges his money, his labor checks, for something he wants. This is accomplished by means of taxation, the money, the labor checks, being demanded back as taxes. The return of the money as taxes makes sure that the public workers have been given equivalent for their work and closes their accounts with the nation for this work. Taxation distributes the burden of public work upon those individuals who have taken no part in it.

In view of this function of money its definition might be expressed as: A national medium of account. A national labor check. A national evidence of indebtedness. A national due-bill.

Now, going back to currency, we might define

that as: Something that passes as money without being such. The object of currency will then begin to appear. Money is created for public work and demanded back as taxes. Paid back as taxes it proves that the payers have assumed their share of the burden of the public work, have done work for the public workers in return for the work they have done for the nation. But those who pay their taxes in "something that passes as money without being such", something that has not been paid out for public work, evade their part of the burden of the public work, shift it over on others, whose shares thereby become so much greater.

Do you begin to suspect the reason for the incessant demand for the creation of more and more currency?

#### A MONEY SYSTEM MEANS SOCIALISM.

A money system is the simplest and most efficient system for national work, the simplest and straightest system of national account and the simplest and most equitable system for acquiring national ownership.

Any national work can be undertaken as long as there are workers willing to do it. It is not a question of money but of men. For their work they get money, national labor checks, issued for the purpose. No interest to pay. No government loans. No U. S. Bonds. When the money re-

turns as taxes the work is paid for, the accounts of the workers balanced.

No false labor checks, no counterfeit money, nothing that "passes as money", no currency, nothing "just as good" is accepted as taxes, only the real thing, the nations money. The account is kept straight.

Anything the nation wants can be acquired. A railroad can be taken over. The line of action would be: 1. Agreeing upon a valuation. 2. Paying by money (not bonds) issued (not borrowed) for the purpose. 3. Taxing the same amount payable in the same money. The taxation to be extended over any length of time decided upon.

I think you will agree with me that the arrangement and operation of a financial system by the aid of money is so plain and simple that any person of ordinary intelligence readily can understand it and even easily could manage it. Whatever we collectively need we collectively create or take over and in payment issue collective certificates, demanding these back again in the form of taxes.

A money system means socialism.

#### A CURRENCY SYSTEM MEANS "CAPITALISM".

Let us then consider the operation of a financial system by means of currency. Under this before any national work can be undertaken currency must be obtained from private individuals. Without the permission of these no national work can be

undertaken. The nation must either borrow THEIR currency or get it by means of taxation, leaving it to each individual to secure it as best he can. A public loan means that the nation instead of making its own national counters to keep account with borrows private counters and pays for the use of them, pays interest to private individuals. The lenders avoid payment of taxes and even secure a profit (the interest) from the taxation of the others, in other words the lenders get the benefit of the public work performed by others without themselves doing any part of it or sharing any of its burdens, even profiting by public work performed by others. They become a privileged class.

In case the nation secures currency by taxation each taxpayer has to obtain it from those who have it. This evidently places these in a position where they can set their own terms, can dictate the rate of interest and commission as well as other conditions.

If you are not a taxpayer you may think this does not concern you, but you are mistaken. Your employer derives his income from your work. Whatever increases his expenses he charges up against your work, making your wages lower. If you refuse to work for the reduced wages the lenders of currency may refuse to loan your employer on any term and thereby throw you out of work altogether. They may do the same in case he instead of lowering your wages tries to raise the price

of his goods. But they themselves can raise the prices of all products they control, products you must have and tax you that way. For their currency you MUST have. The currencyists are almighty.

#### A MONEY SYSTEM MEANS FREEDOM, A CURRENCY SYSTEM SLAVERY.

A money system gives opportunity for all to work for their own good or the common good, means freedom.

A currency system compels the majority to work against their own good, against the common good, and for the good of a few privileged ones, means compulsory wage work and unemployment, means slavery.

To you it may not seem to make any difference whether you have a money system or a currency system, whether you work for money or for currency. If you are paid in banknotes, they will seem to buy just as much for you as United States notes. The chances are you do not even know the difference, do not even know what kind of money you are paid in, do not even care as long as they buy the same; and still as long as you consent to a currency system you consent to the perpetuation of compulsory wageslavery and unemployment. If you are working for low wages, working only part of the time or looking for a job or if you get low prices for what you produce, do not blame anybody but yourself. It is your own fault. If you are satis-

fied with a currency system you must take the consequences. As long as you for your work just as soon accept a bank note as a United States note just that long will we suffer under the same conditions. The currencyists will not demand a money system. They have a good thing and as long as you are willing to stand for it they are willing to keep on bleeding you. YOU must demand a money system, demand it against the opposition of the currencyists. There is nothing they will oppose stronger.

Perhaps it will look clearer to you if we turn the proposition around. Supposing you could buy a \$1000 automobile and pay for it with one hundred notes, each one promising \$10 worth of work. Supposing the seller could buy other things for your notes. Supposing you, in case any one should demand the work promised, could give some other kind of a promise, could tell him to get some one else to do it for your promises or could even refuse and let him figure out what to do about it, wouldn't you have a pretty good thing and hate to give it up? You would be doing just exactly what the bankers do. But you could not do this unless you got people to accept your notes. Neither can the bankers. And you could not get people to accept your notes without the aid of the government. Neither can the bankers. They get aid from the government, the congressmen and president you elect. You don't. That is the difference. And as

long as you are satisfied getting their worthless premises, their currency, for your work and products they are perfectly willing to give them to you.

#### HOW DID THEY GET IT?

The question naturally arises: How did they get it? How did the banks get this currency, that we individually and collectively, have to get from them and for which we have to give our work and products? What work did they perform to get it? Was it public work, work we all benefit by? The answer is a sad one. No public work has been performed for it, in fact no work at all except the work of working congress in order to get currency legislation enacted. It has been handed over to them as a present, this currency for which we others must give our work.

Do you begin to see the difference between a money system and a currency system?

Do you begin to understand why we have so many wage workers and so little collective work? How we happen to have a large common class and a small privileged class?

And do you begin to realize why the bankers are so greatly concerned about currency legislation, always clamoring for more and more currency, and also just as surely opposing money legislation and the issuing of money?

A currency system means wage work and private profit.

A money system means public work and public benefit.

And why do they want legislation? For the reason that it is the surest, if not the only, way of making their currency current, making it pass as money. When congress passes a law declaring that a bank note will be accepted in payment of taxes it makes it current. So congress itself, our(?) chosen representatives, creates the currency, hands it over to the banks and compels us to borrow it and work for it. Without the aid of congress their currency would not be wanted. If congress should pass a law declaring that your notes would be accepted in payment of taxes they would also be current.

#### WHO DOES CONGRESS REPRESENT?

What financial legislation has occupied the attention of the United States congress for the last half century? Has it been the creation of money and the perfection of a money system to carry on public work for the benefit of us all? Or has it been the creation of currency and the perfection of a currency system to carry on private work for the profit of a few? Has it been the creation of money for us all to develop our natural resources for the benefit of us all? Or has it been the creation of currency for a few by which to acquire possession of these same natural resources for the profit of themselves? It has been currency first and last, always currency.

And what kind of legislation is the new financial law. The Federal Reserve Act? Does it create more money and perfect our money system so as to enable us to work together in harmonious co-operation for the benefit of ourselves, enable us to create collectively the things we all need and take over the things we all have use for? Or does it perfect the currency system and create more currency so as to force us to do still more work for a privileged few at their wages and terms or go idle? The answer is the same. Currency, always currency. No argument can persuade congress to take up money legislation.

## **Banks.**

Every financial system, be it a money system or a currency system, in order to attain its greatest usefulness must have a full chain of substations, a complete system of banks. The more these co-operate, the more they are organized as a unit, the more perfect the system. This applies equally to both, but the functions under each differ greatly. A money system needs banks to serve as agents of the nation in disbursements and collections, stations where the public workers may be handed the money, the labor-checks, for their work and where these same labor checks may be collected back as taxes. They have also the function of serving as safe depositories for the money of the people and as stations through which the people may make

their exchanges, transmit funds to others, collect from others and exchange credit with others in the quickest and most labor saving way for the greatest use and benefit to all, and at cost.

The establishment of a full system of such banks, national banks not only in name, as the present ones, but in reality, banks belonging to the nation and doing the work of the nation, would be the greatest step forward the nation had ever taken, would mean freedom from the present financial oppression.

We have no such banks now. The nearest approach to them are the postal banks, but they are still a long ways off. That there is in them not even a conception of a real nation's bank will be understood when I tell you that if you deposit money in a postal bank it may pay you back in currency. But they could easily be made real banks of the nation.

A currency system on the other hand needs banks through which to carry out its evil purposes. The currency bank is the greatest agency for evil ever invented. It serves as the channel through which the currency is obtained from the government and through which it is loaned out again, through which interest is collected and through which the cash of the people is gotten hold of. It serves to secure for the currencyists a monopoly of the entire medium of exchange. This monopoly again enables them to acquire ownership

of plants of production and distribution, each one of which increases their power and furnishes them one more source of profit, one more way of taxing the rest of the people. This more and more puts them in position to fix prices and dictate wages. We become their slaves. Currency banks enslave us. To be free the nation must have its own banks.

### THE CURRENCY BANK MUST GO.

Even Lincoln evidently did not have a full realization of the difference between a money system and a currency system. He did not realize that a money system and a currency system are so diametrically opposed to one another that any mixing of them, any co-operation between them, is out of the question. What benefits the one invariably hurts the other. Lincoln introduced the national labor checks, the United States notes, and still left the handling of them to the currency banks. The bankers well understood that the United States notes, the greenbacks, were the first step in a system that rapidly would do away with their currency, their great source of profit. They therefore immediately set out to destroy them as a dangerous enemy. The tremendous advantage of the handling of them has been their greatest aid in this work.

The Federal Reserve Act marks their latest victory in this war. It aims to do away with all money, creates one more kind of currency and by legalizing it protects the currency trust against pros-

ecution. The law arranges for the combination and organization of all banks into one immense legalized currency trust.

But this does not settle the currency problem. A problem is not settled until it is settled right; and the currency problem will never be settled right until currency is done away with. There is only one possible termination of the money-currency war: the establishment of a money system with banks owned by the nation and the elimination of the currency system with its private banks. The currency bank must go.

### ENTER COLLECTIVE BANK, EXIT 'CURRENCY BANK.

But the currency bank will not go—in fact we cannot without great inconvenience do without it—until we get the collective bank to take its place. The way to make the currency bank go is to establish a complete system of collective banks. Then the currency bank will go, will go out of existence automatically, because there will be no more profit in it; and profit is its only aim.

Fortunately we have the finest kind of a framework for such a system of collective banks already erected: the postal system and the postal bank; all that is necessary is to finish the building. The parcels post points the way as plain as a sign-board. We do not need to take over the currency banks nor any part of them any more than we needed to

take over the express companies or any part of them.

## United States Money and Currency.

Let us now consider the different kinds of money and currency of the United States and classify them according to our definitions.

### MONEY.

Definition:—A national medium of account. A national labor check. A national evidence of indebtedness. A national due bill:

UNITED STATES NOTES:—These were first issued during the Civil War, paid to soldiers and others for services rendered to the United States and accepted back by the United States in payment of taxes and other dues. When back again in the United States Treasury the collective indebtedness which the note represents is canceled. When again paid out for services it is in reality reissued. It is like a new note paid out for a new service, is a new evidence of a new indebtedness for a new service and is again in its turn canceled when paid back into United States Treasury. Their number has been arbitrarily limited by congress to about 346 million dollars.

UNITED STATES CHECKS:—Orders made out by the United States on the United States Treasury and sub-treasuries to pay certain

amounts. These checks are given in payment for public work. Most of them are not cashed but find their way back again to the United States Treasury in settlement of some account, some debt to the United States. This is collective credit, a credit system of the nation. Through the postal banks it could be extended all over the country and form a perfect machinery for public work of all kinds. Our currency congresses and presidents take good care that no such extension takes place.

Under the heading of money we must also class the PANAMA CANAL COMMISSARY COUPONS:—These are slips of paper of different color, representing different amounts from one cent to ten, bound in book form, \$5.00 to the book, paid to Panama Canal Employees and accepted back by the commissary stores and restaurants (run by the United States) for merchandise and meals. They are limited to the transactions between the United States and its employees in the canal zone but within this have the same function as United States notes. The entire work of the canal might have been financed by means of such coupons, such labor checks, of different denominations. They might have been used to pay for all the material and machinery as well as the work, United States accepting them back again for taxes and other dues such as toll of the vessels passing through the canal.

## CURRENCY.

Definition:—Something that passes as money without being such. A false labor check. A counterfeit money.

PRIVATE BANK NOTES,—deceptively named National Bank Notes and United States Currency, are nothing but private promises to pay. They pass as money because the government receives them in payment of taxes and other dues. They are not based upon, are not certificates of any work performed, either public or private, but are used as payment for work either by the banks or by others whom the banks for a consideration give the privilege of using them.

Bank notes form the very foundation of our social ills. Through them social inequality, social injustice, has been established by law. Through them a social order has been established by law under which the many are compelled to work for and to support in idleness and luxury a few privileged ones, under which these few instead of work are privileged to give their promises and even privileged not to keep these promises.

That our (?) Republican, Democratic and Progressive congressmen do represent the currencyists instead of the people is proven by the fact that they on the one side absolutely refuse to issue money with which to carry on public work, refuse even in times when millions of men and women suffer for the very necessities of life on account of

lack of work; and on the other side fall over one another in their haste to provide more and more bank notes with which the banks can increase their profits and establish wage slavery and unemployment.

Congress has given to the banks the privilege of circulating their promises as money, now practically without limit, even printing the notes for them at the expense of the nation. Bank note circulation has reached nearly 1,100 million dollars; over three times the amount of United States notes.

BANK CHECKS—form another and freely used form of currency. On its face a check is an order on a bank to pay a certain amount to another person but, in as much as—the same as with bank notes—payment in cash is demanded in exceptional cases only, the check practically becomes an order for a transfer of credit on the books of the banks from one person to another. It becomes a medium of exchange, a currency, in itself. As such it is of course not based upon or certificate of any work performed, but is simply a convenient contrivance gotten up by the banks to save the use of money, a substitute that passes as money. The average life time of a check, the time between the date of issue and the date of cancellation is estimated at from seven to ten days. The average amount of floating checks is estimated at from one to five billion dollars. Do you realize that this is exchanged for work?

A large number of other substitutes for money have been devised and put in operation by banks, express companies, business houses and others: CASHIER'S CHECKS, BANK DEPOSIT CERTIFICATES, CLEARING HOUSE CERTIFICATES, TRAVELERS' CHECKS, LETTERS OF CREDIT, PROMISARY NOTES, BILLS OF EXCHANGE, DRAFTS, ACCEPTANCES, EXPRESS COMPANY MONEY ORDERS, business houses' CREDIT CERTIFICATES and REFUND CHECKS, store keepers' COUPON BOOKS and TOKEN MONEY corporations' BONDS and CERTIFICATES are such currency, such substitutes for money. If you buy an express company money order, this takes the place of the money in your hands. The express company has your money and can use it for any purpose it chooses. It must redeem the money order when it is presented, but this takes some time and in the meantime it uses your money. This does not amount to much for each order but the total amount runs up in millions. It is the same with bonds, only they run for a longer time.

The total amount of this class of currency may probably safely be estimated at a hundred billion dollars. None of them are based on work, no public work has been performed for them but all are, directly or indirectly, exchanged for work. There is no other reason for their existence. If they could not be exchanged for work or products of work

what would be the object of creating them? When a railroad issues bonds these are exchanged—directly or indirectly—for work, for ties, for rails, for bridges, for cars and for buildings.

**GOLDCOINS:**—Notwithstanding the fact that the law stamps a certain weight of gold a dollar—the unit of value and a legal tender in payment of all debts—gold coin can only be classed as currency. A gold coin is not a collective certificate of public work performed, has not been paid out by the nation for any work performed for it, only represents a piece of commodity upon which the nation has put its stamp of weight, fineness and value. Gold, the metal of the rich, has been given the preference over all other commodities (even over labor itself, the producer of all commodities), and been granted the monopoly of free coinage. Labor, not gold, should enjoy this monopoly. Labor should be the one and only thing that always could be coined into money. The nation should always have work for all willing workers and always money to pay for it; should always have money to pay for all products of labor that are of general need or usefulness. We should have **FREE COINAGE OF LABOR**.

**SILVER COINS, SILVER CERTIFICATES, GOLD CERTIFICATES:**—What has been said about gold coins applies equally to these.

The stock of metal coins and certificates is about two and two-third billion dollars.

THE FEDERAL RESERVE NOTES—provided for in the new currency law passed by congress and signed by the president December 23rd, 1913, the most valuable Christmas present ever given, form an additional currency of a little different form in practically unlimited amount. The notes are "to be issued—for the purpose of making advances to—banks—and for no other purpose." They are not based upon or certificates of any work performed for the nation, are simply a new form of private promises to pay. They are accepted in exchange for honest work because the law provides that United States shall accept them "for all taxes, customs and other public dues." To still further assure their acceptance the law also obligates the United States Treasury Department to redeem them in gold on demand. The currencyists surely have the co-operation of congress and the president. **THOSE WHO CONTROL A NATION'S "MONEY" CONTROL THE NATION.** Over a hundred and forty million dollars of these have already been issued. Watch them grow.

The total stock of all the different kinds of currency is so large that it completely overshadows the small stock of money. Still the usefulness of this is further reduced by it being held as reserve by the banks. This prevents it from being returned to the United States Treasury to be reissued for new services.

## The Solution.

Before taking up the question of the solution of the currency problem it is probably well to again make sure that we have a clear understanding of the function of money on the one side and the purpose of currency on the other. According to its function three characteristics are inseparable from money: First—It must originate from the nation. Second—It must primarily be exchanged by the nation for work performed for it. Third—It must be demanded back by the nation in payment of any and all obligations towards it.

Not being evidence of any public work performed but still used in place of such evidence the purpose of currency is plainly fraudulent, an attempt to obtain money or money's worth under false pretense. Currency has no legitimate function, only evil purposes, and it has already been pointed out that the only way to solve the currency problem is by doing away with currency altogether. How then can we do away with it?

There are many weeds, also a great deal of difference in them. Some are strong and kill the grain, others are weak and the grain kills them. Currency belongs to the last class. Money kills it. With enough money currency must die. Currency has prospered because money has been kept away. Create and put in circulation enough money and we do not need to worry about the currency; it

will disappear of itself. The solution of the currency problem is the introduction of enough money.

Who has kept money away? United States Congress. Who has planted and cultivated the currency weed? United States Congress. Who could plant and cultivate money and thereby destroy the currency weed? United States Congress. How could congress do it? By issuing money for national work. Let me illustrate.

There are hundreds of thousands unemployed men and women looking for work they can not get. Now what would those people do if they were free to do it? Why, they would build themselves homes. They would make themselves furniture. They would dig themselves coal. They would make themselves clothes. They would raise food for themselves. Why don't they? Because they have not got the one tool, the one piece of machinery they can not do without. They have not got the money.

Could they do the work? Yes, they are masons, carpenters, painters, furniture makers, coal miners, garment workers, farmhands and others. They could surely do the work. What need then would they have for money? To keep account between themselves and to exchange their work.

#### SOLUTION BY CONGRESS.

Supposing congress instead of issuing 163 million dollars a month of currency to the banks would issue 163 million dollars of money a month for the

unemployed to provide for themselves, what a wonderful difference it would make. They could make bricks, build houses, make furniture, dig coal, make clothes, raise farm products, in brief, make themselves happy and comfortable. No one would loose anything by it. The money would be collected back as taxes. And there would be no unemployed to support.

The currency weed would not grow.

Bank Currency would not be current.

Bank notes would buy no labor.

The wage-slave-drivers would have no slaves to drive.

Another illustration:—Since the beginning of the war lack of money has paralyzed the southern states. The cotton farmers have been in desperate straights, had to sell their cotton at half price. Has anybody tried to help them? Yes, the government. How? By pouring currency into the vaults of the banks. Did the banks then rush to the aid of the cotton farmers with this currency. They did not. That is not the purpose of currency. Currency is a private medium of account for private profit. It does not rush to the aid of anybody except for a profit, and it could make more profit by squeezing the farmers than by aiding them, could make more profit by financing the war, raising the interest and speculating in cotton. So why should the bankers aid the farmers? No, currency will not rush to the aid of anybody. Money on the other hand

is a national medium of account for national use. Under a money system money would have rushed to the aid of the cotton farmers; that would have been just the thing it was created for. The nation would have issued money, bought the cotton at its real price and stored it till it could be sold. The cotton farmers would have been happy and comfortable, activity would have been undisturbed and no one would have lost anything. When the cotton was sold the nation would have had its money back. Banknotes would have bought no cotton at half price. The currency weed would have been killed. The cotton slaves would have been free. The money would have been paid out through the postal banks. The currency banks would had no work, no profit and gone out of business.

You have seen how easy congress could solve the currency problem by issuing money and using the postal banks, how this little change would give opportunity for everybody to provide for themselves and free themselves from the bondage of the currencyists. But don't you think for a minute that it will do it. We have the assurance of a fifty years record that no Republican or Democratic congress will. And we have the assurance of the record of the present congress that neither will the progressives. But the issue: "Money versus Currency" is still a reality waiting for the political party that will take it up. Will the Socialist Party rise to the occasion? Or, must a new party be formed to take

up this issue which really is: Currencyism versus —Socialism?

Our national platform covers the point fully, but our leaders do not seem to understand it. Let me see if I can make it plainer by drafting a new financial plank:

The Socialist party pledges itself as soon as it becomes the ruling party in the United States Congress to institute public work for all who apply; to institute national marketing of farm products; to pay for such work and such farm products with money issued direct by the nation; for taxes, custom duties, revenues, or any other dues or payments to the nation to accept nothing but such money of the nation; to make all the disbursements and collections of the nation through the postal banks; to open these to the fullest use of the people and to accept in them money only, no currency.

It that clearer?

#### SOLUTION BY POLITICAL SUBDIVISIONS.

The prospects of a congress willing to solve the currency problem being rather remote leads us to consider the possibility of solving it without the aid of congress. I shall first consider its solution by political subdivisions and then by other bodies.

States have no constitutional right to issue money, this privilege has been ceded to the United States; but states have a right to issue bonds and do so. These are generally of large denominations, sold to banks for what they are willing to pay and

draw 4 to 6 per cent interest. But there is nothing to prevent a state from issuing bonds in smaller denominations, say ten or five dollars, and drawing lower interest, say  $\frac{1}{2}$  or  $\frac{1}{4}$  per cent.

The idea of issuing bonds of such small denominations and such low interest has been advocated by several. A state by so doing can solve the currency and unemployment problem within its own limits, paying these bonds out for work done for the state and accepting them back again for all payments to the state. Such bonds would circulate as money, would find their way back again as taxes etc. and be canceled. New bonds could be issued for new work. The state would save the interest it now pays on loans, would be able to take up all the public work its citizens might want and were able to perform and would supply a medium of exchange highly needed. The result would be general satisfaction, comfort and happiness.

Cities can do exactly the same thing. Chicago for some time has been selling its bonds direct to the people, but so far not in lower denominations than \$100, nor lower interest than 4 per cent. But even this has been a great gain. It is not long since Cook County sold its 4 per cents to the banks for 94.57. Chicago therefore gained \$5.43 on each hundred. As yet it has not used bonds in payment but is contemplating doing so. The city of St. Paul has brought its bonds down to \$10, but as far I know has not reduced the interest or used the bonds in

payment. Two more steps would convert them into municipal money: First an interest rate low enough to make it of no account and second, paying them out for work directly instead of selling them for currency and paying this for the work. That would be municipal labor checks.

The city of Butte, Mont., had a very instructive experience at the time its administration changed from currencyist to socialist. City employees were paid with city warrants drawing 6 per cent interest. It always took some time before the city was able to cash these. In the meantime the employees went to the banks to get them cashed. The banks paid 70 cents for a dollar's worth of these, made a profit of 30 per cent in advance, and when due collected the principal and 6 per cent interest from the city. In the meantime the city refused to accept its own warrants in payment of taxes, licenses, fines or other payments to it. When Duncan took charge as mayor he immediately ordered that the warrants be accepted by the city at their full value. The effect was magic; they at once rose to par even at the banks. This act of Duncan was probably one of the reasons and perhaps the strongest one for the intense currencyist opposition to him.

Had the city of Butte taken one more step and reduced the interest on the warrants to  $\frac{1}{4}$  per cent it would have had municipal money, municipal labor checks, would have been independent of the banks and would have had free hands to undertake

any kind of public work even to running its own copper mine.

### SOLUTION BY FARMERS.

The first and fundamental function of a representative government is to furnish to all opportunity to provide for themselves, in other words to solve the unemployment problem of the wage-workers and the no-sale-for-their-products problem of the farmers or in still other words to solve the currency problem. When it fails in this mission it is either incompetent or not representative of the majority. It should in either case be overthrown.

When the national, the state and the municipal governments all fail to solve the currency problem the question of its solution by other bodies arises. A certain number of individuals with mutual interests may solve it between themselves.

Farmers are the ones who are in the strongest position to do so. Through co-operatives and unions they are beginning to realize this. Co-operative creameries, cheese factories, elevators, warehouses, stores etc. are springing up all around and farmers organizations are gaining in membership and influence. The financial side has however been lost sight of. No farmers co-operative banking has, as far as I know, been attempted in this country. A large number have been started in other countries. The farmers there have realized that to make co-operation a success financial co-operation must be a part of it, that they must be independent

of private banks, must have their own co-operative banks. None of them however seem to have carried the idea out fully. Their co-operative banks are run like other banks, pay interest on deposits, charge interest on loans, use currency, are more or less connected with currency banks and, like these, invest their funds in bonds. The productive workers have to pay all the interest on these bonds (through their work); they gain nothing by investing their money in them.

But banks can be made real co-operative, can be made independent of profit banks and their currency, can be made socialist banks. This can be done by eliminating the interest both on deposits and on loans, the expenses of the banking being treated like any other administrative expense and the funds used to start new co-operative undertakings or to expand those already existing. Socialist money (labor-checks) can replace currency. The co-operative creamery, cheese factory, elevator, warehouse or mill can pay for work and products with labor-checks. These can be received back in payment for co-operative products, butter, cheese etc., for merchandise at the co-operative store and on deposit in the co-operative bank. With such a bank co-operatives could get along entirely without currency, could even refuse to accept and handle it. That would solve the currency problem for the members of the co-operative.

The one thing needed is a true co-operative spirit or rather an intelligent understanding of the necessity of co-operation and then first of all financial co-operation as the main weapon in the fight against exploitation. It must be understood that socialist undertakings are not for the purpose of making profit but for the purpose of emancipating the workers, that the purpose of a socialist bank is not to make dividends but to furnish the financial machinery for socialist co-operatives. By means of socialist money and socialist banks the socialist creamery, the socialist cheese factory, the socialist elevator, the socialist ware house, the socialist cold storage plant, the socialist slaughter and packing house and so forth down the line can be erected one after the other. There is practically no limit to the co-operative undertakings farmers may put in operation. Here is an immense field for our farmer comrades. A socialist creamery, a socialist store, a socialist bank, would make more socialists than an army of socialist speakers.

#### SOLUTION BY WAGE WORKERS.

The next question is: "Can the wageworkers do without bank currency?"

The anxiety of the workers to sell their labor for this currency gives the impression that they can not do without it, that their very lives depend upon it. And so they probably think. But they are mistaken. They are not dependent upon bank currency, can easily do without it and would never

miss it. Bank currency on the other hand is wholly dependent upon them, dependent for its very existence, cannot do without them and would sorely miss them. If currency could not be exchanged for work it would be of no use or value.

Currency is not a necessary factor in the process of production. It serves merely as counters and very expensive ones at that and can be replaced with counters of a different kind at no expense. The workers can make their own counters. The present system is created by and kept up through currency, could not exist without it. Destroy the currency and you destroy the system. Currency is exchanged for work. Remove the compulsion of the workers to give their work for it and you destroy its usefulness. Enable the workers to do without it and it has no more value.

A great many co-operative enterprises have been put in successful operation by wageworkers. Some of them have attained large proportions. But most of them have taken the form of co-operative buying, have been consumers co-operatives. Co-operative production has not received near as much attention, neither has co-operative finance. That has been a mistake. Co-operative production is far more important than co-operative consumption, and co-operative finance is more important than either. It takes a combination of all three to make the real socialist co-operation.

The workers form the great mass of the people.

Both as producers and consumers, they are the people. Bring them as producers in direct contact with themselves as consumers and there is nothing to prevent them from keeping all they produce. The middle men are the ones who prevent this and the ones the workers must learn to do without. They can do it by forming producers and consumers co-operatives in the different lines and federating these together. But they must also do without the financial middle man. They must have their own medium of account and exchange their own counters, their own labor checks. Of all the middle men the financial one is the worst. Each co-operative may have its own counters and the different ones may accept each others checks; but the final aim must be one check for all.

The currencyists know well enough that currency forms the life blood of the present system, that currency forms the means by which the workers are enslaved. Nothing arouses them more than a proposition for the issue of money. That is revolutionary. There are also many in the ranks of the workers who understand this. The Greenback party and the Populist party both had an understanding of it. They created more alarm in currency ranks than any other and were both cleverly side tracked.

The Chinese socialists understand it. About the first thing they did after their successful revolution was to arrange for their own money. But

then the international currency trust sat up and took notice. An ordinary revolution might be allowed but a financial one, no, that was too serious; that had to be stopped; and it was. The Chinese socialists were tricked out of their victory. But the Mexican revolutionists have not allowed themselves to be swayed from their course, neither by trickery nor by show of military force. They established their own money, their own labor checks, and those labor checks are leading them to freedom.

Labor checks won the American Revolutionary War.

Labor checks are winning the Mexican Revolutionary War.

Labor checks freed the colored slaves, and

Labor checks will free the white slaves.

But they will have to be genuine ones, issued by the collectivity for work performed for it, not false ones, issued by private people for work performed for them or issued by the collectivity for private profit. The false ones serve a splendid purpose for those who get the use of them and illustrate strongly the advantages to be gained from their use. Slugs used in stores as change and slugs or checks used by some firms in payment of wages and accepted at the company store in payment for goods serve the purpose of keeping account between the store and its customers, between the company and its employees. They do the work of money. They demonstrate how easy it is for

anybody able to redeem in goods or services, to make his own counters and keep his own account independent of others. Capitalists have taken advantage of this in many ways, socialists and workers have not. Is there any reason why they should not? Isn't there the very strongest reason why they should?

The function of the government is to arrange co-operation between all the people. Our national, state and city governments have failed to do this. Instead of instruments of co-operation they have become instruments of oppression. They have all failed through the use of false instead of genuine labor checks, through the use of currency instead of money. It is the workers who suffer from this perversion of government, privileged idlers who benefit by it. Money issued direct for work or products establishes co-operation, all working for the good of all. Currency handed to a privileged few establishes oppression, the many working for the good of a few.

Did the wage workers and farmers realize this it would not take them long to change it, to make their own work the basis for money.

#### SOLUTION BY THE SOCIALIST PARTY.

But even without any such general change bodies of workers, smaller or larger, may make use of labor checks amongst themselves for their own benefit and also as a palpable demonstration of the feasibility and advantages of the labor check sys-

tem. And what body of workers should be nearer to do this than the Socialist Party, the party whose aim is to emancipate the workers from wage-slavery, establish co-operation between them and eliminate the parasitic middlemen? Does not the labor check form the very means by which to begin this, by which to establish co-operation within the party, by which to establish socialism on a small scale and by which to demonstrate the soundness of our theories and philosophy?

Most people realize that the present system is wrong, but there are different opinions as to why it is wrong and as to what the remedy should be. We have a right to our opinion the same as others, but we have no cause for complaint if people judge us by our actions rather than our words. We preach co-operation but do not practice it. We claim to be able to create better social conditions but do not give any proof of it. Here is a way to prove it, to give a sample of the co-operative commonwealth, to demonstrate that currency, the false labor check, is what makes our present system wrong and that money, the genuine labor check, is the remedy.

The Socialist Party composed of farmers, mechanics, merchants, manufacturers, office men, clerks etc., in short of men and women in all walks of life and with the right understanding of social conditions, is just the body to make this demonstration independent of others.

The spirit of co-operation is rapidly permeating society and finding expression in action. Shall it be capitalist co-operation for profit or socialist co-operation for use? It depends upon us.

Another thing. We workers are split up in factions: the political faction, the direct action faction, the industrial faction, the anarchist faction, the trade union faction, the farmers union faction, the co-operative faction and the single tax faction, all working for the same object, the emancipation of the workers. The Socialist Party is just the party to amalgamate and absorb them all. Socialist co-operative and financial action furnishes the very ground upon which they all may unite. Political action will make slow headway until we aim our siege guns at the main fort of the enemy, the currency fort, making the financial plank the main one in our platform. Trade and industrial action will assume different aspects when it is extended to the financial field by the establishment of union banks. Direct action will only then obtain its right force when the financial strike takes the place of the present strike, when we knock the props from under the currency system by refusing to accept its currency, its false labor checks, and by withholding from the currencyists the very ammunition with which they fight us, our own deposits. And the farmers can only then get out of bondage when they substitute the labor check for the bank check.

A Socialist Party with a co-operative arm and

a financial arm added to its present political one, a three armed party, would in my opinion be not only three times but probably three times three times as strong as now.

For value received

**The Socialist Party of the United States**  
will give bearer value to the amount of  
**FIVE DOLLARS.**

There is the socialist labor check. This, signed by the proper officers, to be paid to anybody willing to accept it for services to the party and to be accepted back at its face value by the party for any payment to it. And why should not the members accept them? They buy thousands of dollars worth of due-stamps, literature etc. from the national office every month. If they could pay for these with party checks why shouldn't they accept them themselves?

We must solve the currency problem some way or other. Why not solve it within our own party where we are masters? We can do it. All we need is to realize our own strength. We have a splendid party organization. Here is a field worthy of it.

It is no use trying to beat the currencyists at their own game, trying to beat them with their own currency. We have tried that in a good many different ways and failed. How can we fight them with their own weapons? The currency is their property, even when in our pockets, and they can

claim it back any time they want it, can take the weapons away from us in the middle of the fight. No, we must fight them with our own weapons, OUR WORK, must play our own game. If we do, we can beat them, beat them to a stand still.

It would do us no good to establish undertakings run for profit nor to issue currency based upon "security". We must have undertakings run for use, socialist undertakings, and money based upon work, socialist money.

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